

Pachchalaipalli Pradeshiya Sabha

Kilinochchi District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented for audit on 04 May 2011 and the financial statements of the previous year had been presented for audit on 01 September 2010.

1.2 Opinion

So far as appears from my examination and to the best of information and according to the explanation given to me, I am of opinion that the Pachchalaipalli Pradeshiya Sabha had maintained proper accounting records for the year ended 31 December 2010 and except for the effects on the financial statements of the matters referred to in Paragraph 1.3 of this report, the financial statements have been prepared in accordance with Generally Accepted Accounting Principles give true and fair view of the State of affairs of the Pachchalaipalli Pradeshiya Sabha as at 31 December 2010 and the financial results of its operation and cash flows for the year then ended.

1.3 Comments on the Financial Statements

1.3.1 Accounting Policies

Accounting Policies adopted for the preparation of Financial Statements had not been disclosed with the financial statements.

1.3.2 Accounting Deficiencies

The accounting deficiencies observed in the accounts in terms of liabilities and revenue are given under the under the number of instances values in the following table.

		<u>Liabilities</u>		<u>Income</u>	
		<u>Number of instances</u>	<u>Value Rs</u>	<u>Number of instances</u>	<u>Value Rs</u>
Overstatements in the Accounts	1		56,000	-	-
Understatements in the Accounts	-		-	1	36,000

1.3.3 Unexplained Differences

Even though a sum of Rs.714,764 had been shown as accounts receivable in the financial statements the balance appearing in the register amounted Rs.594,406. The reason for the difference had not been explained.

1.3.4 Suspense Accounts

The credit balance of the accounts of suspense nature as at 31 December 2010 amounted to Rs.285,431.

1.3.5 Accounts Payable

Value of balances of accounts payable older than 01 year as at 31 December 2010 amounted to Rs.131,809.

1.3.6 Non-compliance

Non-compliances with the provisions in the following Laws, Rules, Regulation and Management Decisions were observed during the course of audit.

	<u>Reference to Laws, Rule, Regulation and Management Decisions</u>	<u>Non-compliance</u>
(a)	<u>Pradeshiya Saba Act, No.15 of 1987</u>	
(i)	Section 132 (a)	Whenever expenditure on religious and common works exceeds of Rs.1,000 per year the prior approval of the Minister in charge of the subject should be obtained. A donation of Rs.9,000 had been made for elder's day without getting approval from the Minister.
(ii)	Section 19(i)	Register of Movable and Immovable Assets had not been maintained by the Sabha.
(b)	<u>Financial Regulations of the Republic of Sri Lanka</u>	
(i)	No.104	Action in terms of Financial Regulation had not been taken in respect of an accident to a vehicle of the Sabha. The value of damage amounted to

Rs.4,199,534.

- (ii) No.571 Lapsed deposits had been retained by the Sabha in the Miscellaneous Deposit Account without being settled.
- (iii) No. 685 Procurement procedure had not been followed for repair of the Tractor of the Sabha.
- (iv) No.1645 Motor Vehicle Log Books had not been properly maintained by the Sabha
- (c) Circulars
- (i) Public Finance Circular of Action had not been taken on unserviceable articles No.441 dated 9 December 2009 reported in the Board of Survey Report for the year 2010.
- (ii) Public Administration Circular Fuel consumption of 04 motor vehicles had not been No.41/90 dated 10 October 1990 tested once in every 06 months.
- (d) Section 5.4.4 of the National Final payment had been made to the contractor Procurement guidelines of 2006 without recovering retention money.

2 Financial and Operating Review.

2.1 Financial Result

According to the Financial Statements presented the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2010 amounted to Rs.1, 690,373 as compared excess of revenue over recurrent expenditure for the preceding year amounting to Rs.1,509,365.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

The information on the estimated revenue, the actual revenue and the arrears of revenue for the year under review and the preceding year as presented by the Secretary is given below. But the Sabha had not prepared the budget for the year 2009 as the Sabha had not properly function due to the war situation.

Item of Revenue	<u>2010</u>			<u>2009</u>		
	Estimated	Actual	Accumulated arrears as at 31 December	Estimated	Actual	Accumulated arrears as at 31 December
		<u>P.S.No. 2013/206 Sixth Instalment – Part XIV Local Authorities –Kilinochchi District - Report of the Auditor General 2010</u>	<u>P.S.No. 2013/206 Sixth Instalment – Part XIV Local Authorities –Kilinochchi District - Report of the Auditor General 2010</u>	<u>P.S.No. 2013/206 Sixth Instalment – Part XIV Local Authorities –Kilinochchi District - Report of the Auditor General 2010</u>	<u>P.S.No. 2013/206 Sixth Instalment – Part XIV Local Authorities –Kilinochchi District - Report of the Auditor General 2010</u>	<u>P.S.No. 2013/206 Sixth Instalment – Part XIV Local Authorities –Kilinochchi District - Report of the Auditor General 2010</u>
	Rs	Rs	Rs	Rs	Rs	Rs
Rates and Taxes	5	-	294	-	-	294
Lease Rent	780	748	-	-	-	-
License Fees	60	62	-	-	-	-
Other Revenues	16,990	13,506	305	-	6,991	305

2.2.2 Courts Fines

Court fines receivables by the Sabha from the Magistrates’ Court, Kilinochchi had not been computed and brought to account.

2.2.3 Stamp Fees

Necessary action had not been taken by the Sabha to compute the stamp fees receivables and send the relevant particulars to the Registrar General.

2.2.4 Fees on Advertising Hoardings

A field inspection carried out on 02 November 2010 revealed that action had not been taken to recover fees amounting to Rs 172,695 from 16 advertising hoardings displayed in the area of the authority of the Pradeshiya Sabha.

2.2.5 Rates and Taxes

Action had not been taken to assess the properties in the area of authority of the Sabha for the recovery of rates and taxes.

2.3 Expenditure Structure

The budgeted and actual expenditure of the Sabha for the year under review and the preceding year together with the variances are given below. The Sabha had not prepared the Budget for the year 2009 due to Sabha had not been properly functioned due to war activities.

Item of Expenditure	<u>2010</u>			<u>2009</u>		
	Budgeted Rs	Actual Rs	Variance Rs	Budgeted Rs	Actual Rs	Variance Rs
	000	000	000	000	000	000
<u>Recurrent Expenditure</u>						
Personal Emoluments	15,259	11,257	4,002	-	5,389	(5,389)
Other Expenses	<u>2,194</u>	<u>1,369</u>	<u>825</u>		<u>92</u>	<u>(92)</u>
Sub-total	17,453	12,626	4,827	-	5,481	(5,481)
Capital Expenditure	<u>9,386</u>	<u>5,711</u>	<u>3,675</u>	-	<u>1,331</u>	<u>(1,331)</u>
Grand Total	<u>28,839</u>	<u>18,337</u>	<u>8,502</u>	=	<u>6,812</u>	<u>(6,812)</u>

2.4 Human Resource management

2.4.1 Approved and Actual cadre

Particular of the approved and actual cadre of the Sabha as at 31 December 2010 are given below.

<u>Category of Posts</u>	<u>Approved</u>	<u>Actual</u>
Staff Grade	03	-
Secondary Grade	16	14
Primary Grade	33	26
Other (Casual/Temporary)	-	10
Total	52	50
	=====	=====

2.5 Assets Management

2.5.1 Account Receivable

Balances of account receivables as at 31 December 2010 amounted to Rs.4,999,682 and the balances of accounts older than 01 year amounted to Rs.2, 238,484.

2.5.2 Staff Loans Recoverable

Staff Loan balances recoverable as at 31 December 2010 totalled Rs.2,281,050 and the balance remaining outstanding for more than 01 year amounted to Rs.1,503,600.

2.6 Irregular Transactions

The value of irregular transaction observed in audit amounted to Rs 41,000. Details are shown below.

Transaction	Value (Rs)
The grant given by Assistant Commissioner of Local Government had been used by the Sabha to provide tooth paste and brushes to pre-school children.	41,000

2.7 Performance

Sabha had not prepared an Annual Action Plan at the beginning of the year of accounts. Therefore, the progress on the achievement of targets set in the plan could not be ascertained.

2.8 Internal Audit

An adequate internal audit of the Sabha had not been carried out.

3. System and Controls

Special attention is drawn to the following areas of system and controls.

- (a) Accounting.
- (b) Budgetary Control.
- (c) Revenue Administration.